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**Statement of Honorable William J. Jefferson
Before the House Subcommittee on Oversight and Investigations of the Committee
on Financial Services**

February 28, 2007

Good Afternoon. I am extremely grateful to Chairman Watt and the members of the Subcommittee on Oversight and Investigations for the attention they are giving this matter. This matter before us today regarding Insurance Claims Payment Processes in the Gulf Coast after the 2005 Hurricanes obviously has a great affect on the rebuilding and renewing of my region and my city, the great city of New Orleans and its surrounding communities.

It is necessary that we hold these insurance companies responsible and make them pay for the services that they guaranteed their customers. Since the great storm that hit New Orleans and the Gulf, insurance companies have seemingly done everything in their power not to be fair and equitable to the very citizens that need them the most, the very citizens that for decades have been loyal customers.

- I. Damages from the storm
 - Costliest natural disaster in history
 - More than half the New Orleans population have yet to return
1. Deaths – nearly 2000
 2. Destroyed Personal Property –over 275,000 homes;
 3. New Orleans area supported over 600,000 jobs, number is greatly diminished
- II. The Insured
 1. 1.7 million private insurance claims, Louisiana accounting for 975,000 of them
 - 18.3B in commercial losses and bodily injury claims
 - 17.7B in homeowner policy claims
 - 5B in auto and other claims
 - *Information gathered from the Louisiana Department of Insurance shows that 61% of the total insurance claims from Katrina come from homeowners. However, of all the money that has been paid out thus far, only 39% has been to homeowners.*
- III. Insurance Companies

1. Saw record \$44.8 B in profit, in the year of the 2005 storms, an 18.7% increase over the previous year (*Los Angeles Times*). However, with profits margins this high in a disaster year and \$60B in 2006, insurance companies still feel it necessary to deny thousands of claims and not insure old and new residents in the region.
2. Private insurance companies have not covered many damages they should and rely on the federal government to handle it. They have shifted the financial risks from the business to government and individual households
3. Now courts in Louisiana are flooded with litigation suits against insurance companies because most residents feel it is the only way they can recover anything from the insurers. In fact in the Eastern District of Louisiana, there are 5,175 Katrina related lawsuits, 95% of those are homeowners against insurance companies.
 - *Gene Smith, Chief Deputy Clerk of Court for the Eastern District of Louisiana states that typically the courts have a docket of about 3,000 cases for the year. Now, there are over 3,900 pending cases dealing with homeowners' insurance claims alone. This does not include those who filed in state court, nor does this number reflect every party in the multiple claim and class-action suits.*

IV. Obtaining and Maintaining insurance in Louisiana

1. Many insurance companies in the area have planned to stop writing new policies for homeowners and commercial businesses
 - The LA Insurance Department had to issue emergency rules to suspend insurance companies from canceling or not renewing residential or commercial properties. However, that emergency rule expires tomorrow!
 - *Robyn Halverson, a Latter & Blum real estate agent was actually living in her Bywater home by the end of 2005 and had completed repairs on her home by December of that same year. She received a letter from Allstate stating that her policy was to be canceled because the house was abandoned and in disrepair.*
 - The Louisiana Department of Insurance has received more than 100 complaints from customers that are being terminated at the end of Emergency Rule 23. The complaints all come from one insurance company and it appears many other insurance companies will follow suit. The department is saying that there is NO reason for many of these people to be dropped from their insurance company.
2. Higher premiums and the Strain on the Real Estate Market
 - Premiums have risen tremendously
 - *Ms. M. Sarpy, a resident of the Westbank area of Algiers, insurance premium has risen 100%. Ms. Sarpy had only minor damages on her home in an area of the city was not as damaged as most parts of the city. Nonetheless, her insurance company felt it necessary to double her insurance. She is also feeling the strain*

I would like to once again like to thank Chairman Watt and the members of this subcommittee for their continuing efforts and service. Prayerfully, as we continue to work for our communities, we may make them whole again.